

DEPARTMENT OF TRANSPORTATION**AUDITS AND INVESTIGATIONS**

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August 16, 2010

Ms. Renee Wasmund
Chief Deputy Executive Director
San Diego Association of Governments
401 B Street, Suite 800
San Diego, CA 92101-4231

Re: San Diego Association of Governments
Audit of Indirect Cost Allocation Plan for FY 2009/2010
File No.: P1591-0054

Dear Ms. Wasmund,

We have audited the San Diego Association of Governments' (SANDAG's) Indirect Cost Allocation Plan (ICAP) for the fiscal year ended June 30, 2010 to determine whether the ICAP is presented in accordance with Title 2, Part 225 of the Code of Federal Regulations (2 CFR Part 225 – formerly the Office of Management and Budget (OMB) Circular A-87) and the Department of Transportation's (Department's) Local Programs and Procedures (LPP) 04-10. SANDAG management is responsible for the fair presentation of the ICAP. SANDAG proposed an indirect cost rate of 52.84 percent of total direct salaries and wages plus fringe benefits.

Our audit was conducted in accordance with the Standards for Performance Audits set forth in the *Government Auditing Standards* issued by the Comptroller General of the United States of America. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of SANDAG. Therefore, we did not audit and are not expressing an opinion on SANDAG's financial statements.

The standards require that we plan and perform the audit to obtain reasonable assurance whether the data and records reviewed are free of material misstatements, as well as material noncompliance with fiscal provisions relative to the ICAP. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and records reviewed. An audit also includes assessing the accounting principles used and significant estimates made by SANDAG, as well as evaluating the overall presentation.

The accompanying ICAP was prepared on a basis of accounting practices described in 2 CFR Part 225 and the Department's LPP 04-10, and is not intended to present the results of operations of SANDAG in conformity with generally accepted accounting principles.

The scope of the audit was limited to select financial and compliance activities. The audit consisted of a recalculation of the ICAP, a limited review of SANDAG's Overall Work Program for fiscal year 2009/10, a review of SANDAG's single audit report for the fiscal year ended June 30, 2008, inquiries of SANDAG personnel and reliance placed on the single audit report for the fiscal year ended June 30, 2008 and prior audit field work performed by the Department in March 2007. We believe that our audit provides a reasonable basis for our conclusion.

Because of inherent limitations in any financial management system, misstatements due to error or fraud may occur and not to be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

AUDIT RESULTS

Based on audit work performed, SANDAG's ICAP for the fiscal year ended June 30, 2010 is presented in accordance with 2 CFR Part 225 and LPP 04-10. The approved indirect cost rate is 52.84 percent of total direct salaries and wages, plus fringe benefits for the fiscal year ended June 30, 2010. The approval is based on the understanding that a carry-forward provision applies and no adjustment will be made to previously approved rates.

SANDAG requested a provisional rate of 52.84 percent on July 24, 2009 for FY 2009/10, which was approved on August 26, 2009. Since there was no change from the provisional rate to the final approved indirect cost rate, a future adjustment is not required.

This report is intended for the information of SANDAG, Department Management, the California Transportation Commission, and the Federal Highway Administration (FHWA). This report is a matter of public record and will be included on the "Reporting Transparency in Government website".

Please retain the approved ICAP for your files. Copies were sent to the Department's District 11, the Department's Division of Accounting and the FHWA. If you have any questions, please contact Dadang Prihadi, Auditor at (916) 323-7886 or Cliff Vose, Audit Manager, at (916) 323-7917.

ORIGINAL SIGNED BY:

MARYANN CAMPBELL-SMITH
Chief, External Audits

Attachments

c: Brenda Bryant, Director, Financial Services, Federal Highway Administration
Sue Kiser, Director, Planning and Air Quality, Federal Highway Administration
James Ogbonna, Branch Chief, Rural Transit and Intercity Bus Branch, Division of
Mass Transportation
David Saia, LAPM/LAPG Coordinator, Caltrans, Division of Local Assistance
Jenny Tran, Associate Accounting Analyst, Local Assistance Accounting Branch,
Division of Accounting
Andrew Knapp, Associate Transportation Planner, Regional and Interagency
Planning, Division of Transportation Planning
Erwin Gojuangco, Local Assistant Engineer, District 11
Mike Kent, Associate Transportation Planner, District 11
P1591-0054

**Metropolitan Planning Organization
San Diego Association of Governments
Indirect Cost Plan**

The indirect cost rate contained herein is for use on grants, contracts and other agreements with the Federal Government and California Department of Transportation (Caltrans), subject to the conditions in Section II. This plan was prepared by the San Diego Association of Governments and approved by Caltrans.

SECTION 1: Rates

Rate Type	Effective Period	Rate*	Applicable To
Fixed with carry forward	July 1, 2009, to June 30, 2010	52.84%	All Programs

* Base: Total Direct Salaries and Wages plus fringe benefits

SECTION II: General Provisions

A. Limitations:

The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract, or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) only costs incurred by the organization were included in its indirect cost pool as finally accepted; such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) the same costs that have been treated as indirect costs are not claimed as direct costs; (3) similar types of costs have been accorded consistent accounting treatment; and (4) the information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government or Caltrans. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government or Caltrans; (5) prior actual costs used in the calculation of the approved rate are contained in the grantee's Single Audit, which was prepared in accordance with OMB Circular A-133. If a Single Audit is not required to be performed, then audited financial statements should be used to support the prior actual costs; and (6) the estimated costs used in the calculation of the approved rate are from the grantee's approved budget in effect at the time of approval of this plan.

B. Accounting Changes:

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs, which affect the amount of reimbursement resulting from the use of this Agreement, require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowances.

C. Fixed Rate with Carry Forward:

The fixed rate used in this Agreement is based on estimate of the costs for the period covered by the rate. When the actual costs for this period are determined—either by the grantee's Single Audit or if a Single Audit is not required, then by the grantee's audit financial statements—any differences between the application of the fixed rate and actual costs will result in an over or under recovery of costs. The over or under recovery will be carried forward, as an adjustment to the calculation of the indirect cost rate, to the second fiscal year subsequent to the fiscal year covered

by this plan.

D. Audit Adjustments:

Immaterial adjustments resulting from the audit of information contained in this plan shall be compensated for in the subsequent indirect cost plan approved after the date of the audit adjustment. Material audit adjustments will require reimbursement from the grantee.

E. Use by Other Federal Agencies:

Authority to approve this agreement by Caltrans has been delegated by the Federal Highway Administration, California Division. The purpose of this approval is to permit subject local government to bill indirect costs to Title 23 funded projects administered by the Federal Department of Transportation (DOT). This approval does not apply to any grants, contracts, projects, or programs for which DOT is not the cognizant Federal agency. The approval will also be used by Caltrans in state-only funded projects.

F. Other:

If any Federal contract, grant, or other agreement is reimbursing indirect costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

G. Rate of Calculation:

FY 2009-2010 Budgeted Indirect Costs	\$9,649,990
Carry Forward from FY 2007-2008	\$ 0
Estimated FY 2009-2010 Indirect Costs	\$9,649,990
FY 2009-2010 Budgeted Direct Salaries and Wages plus Fringe Benefits	\$18,261,136
FY 2009-2010 Indirect Cost Rate	52.84%

CERTIFICATION OF INDIRECT COSTS

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

- (1) All costs included in this proposal to establish billing or final indirect costs rates for FY 2010 (July 1, 2009, to June 30, 2010) are allowable in accordance with the requirements of the Federal and State award(s) to which they apply and OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.
- (2) All costs included in this proposal are properly allocable to Federal and State award(s) on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government and Caltrans will be notified of any accounting changes that would affect the fixed rate.

I declare that the foregoing is true and correct.

Governmental Unit: San Diego Association of Governments

Signature: _____

Signature: _____

Reviewed, Approved, and Submitted by:

Renée Wasmund

Chief Deputy Executive Director

Date of Execution: 7/23/09

Prepared by:

Renée Wasmund

Chief Deputy Executive Director

(619) 699-1940

INDIRECT COST RATE APPROVAL

The State DOT has reviewed this indirect cost plan and hereby approves the plan.

Signature RV

Signature _____

Clifford R Vose

Reviewed and Approved by:

DADANG PRIMADI

Reviewed and Approved by:

Clifford R Vose

Name of Audit Manager

Title: Senior Mgmt Auditor

Date: 18 Aug 2010

Phone Number: (916) 323-7917

Name of Auditor

Title: AUDITOR

Date: 08/16/10

Phone Number: (916) 323-7886